AdvanceMe Inc v. RapidPay LLC Doc. 249

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
TYLER DIVISION

ADVANCEME, INC., **Plaintiff,** **v.** **RAPIDPAY LLC, BUSINESS CAPITAL CORPORATION, FIRST FUNDS LLC, MERCHANT MONEY TREE, INC., REACH FINANCIAL, LLC, and FAST TRANSACT, INC., d/b/a SIMPLE CASH** **Defendants.**	§ § § § § § § § § § § §	**CIVIL CASE NO. 6:05-cv-424-LED-JDL**

ADVANCEME'S OBJECTIONS TO DEFENDANTS' EVIDENCE AND ARGUMENTS IN SUPPORT OF THEIR SECOND MOTION FOR PARTIAL SUMMARY JUDGMENT OF PATENT INVALIDITY

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Plaintiff AdvanceMe, Inc. ("AdvanceMe") hereby objects to the following evidence presented by Defendants First Funds, LLC, Reach Financial, LLC, and Merchant Money Tree, Inc. (collectively, "Defendants") in support of Defendants' Second Motion for Partial Summary Judgment of Patent Invalidity.

I. 35 U.S.C. § 102(g).

AdvanceMe has fully briefed its objection to Defendants' reliance on Section 102(g). *See* Docket Nos. 227, 239. AdvanceMe incorporates its objection as though set forth in full herein. Subsequent to AdvanceMe's submission of its briefing, Defendants' filed an unauthorized "sur-reply" to Advance's Me's objections (*see* Docket No. 245), which AdvanceMe addresses below:

AdvanceMe's objection to all evidence, argument, and testimony offered by Defendants concerning invalidity pursuant to 35 U.S.C. § 102(g) must be sustained because Defendants failed to timely assert this defense in their invalidity contentions. Defendants' recent attempt to explain away the untimely service of their Third Amended Invalidity Contentions by claiming they were served by mail is belied by the fact that they were served by electronic mail as well, as reflected on the Certificate of Service accompanying that document. The Defendants did not provide the electronic service as a simple courtesy, but rather chose to serve their Third Amended Invalidity Contentions by electronic mail, and reflected that method of service in their Certificate of Service. Having done so, Defendants cannot avoid the result of the Local Rules which required them to serve their invalidity contentions by 5:00 p.m. Pacific Time. *See* Local Rule CV-5(a)(3)(C). Defendants failed to meet that deadline. *See* Docket Nos. 239, 238 at Ex. B.

Even assuming the Court were to overlook the untimely service of Defendants' Third Amended Invalidity Contentions, the Court cannot overlook the prejudice to AdvanceMe if Defendants are permitted to pursue a defense that was asserted for the first time only ***18*** days before the close of discovery. As Defendants have already conceded, this Court's Patent Rules have additional disclosure requirements for parties asserting 102(g). Notwithstanding Defendants' recognition that they failed to satisfy these disclosure requirements, Defendants contend that their

Third Amended Invalidity Contentions sufficiently provided notice to AdvanceMe of the existence and scope of their 102(g) allegations. The Defendants are incorrect.

P.R. 3-3 expressly requires a party alleging prior art under Section 102(g) to "provid[e] the identities of the person(s) or entities involved in and the circumstances surrounding the making of the invention before the patent applications . . . ." Defendants have not provided this information. More specifically, the Defendants have not provided a separate identification of the persons involved in ***making*** the inventions before the patent application; i.e., the identity of the prior inventors. Indeed, the Defendants concede this point; yet, Defendants erroneously contend that their vague one sentence identification of individuals under Section 102(f) is sufficient to identify the alleged prior inventors under Section 102(g). However, as reflected in the United States Code and this Court's Patent Rules, Sections 102(f) and 102(g) are distinctively different statutory provisions that serve distinctly different purposes. *See* 35 U.S.C. § 102(f), (g); P.R. 3-3.

The purpose of Section 102(f) is to require that a party applying for a patent be the inventor. *See* 1952 Revision Notes to 35 U.S.C. § 102(f) ("Paragraph (f) indicates the necessity for the inventor as the party applying for patent. Subsequent sections permit certain persons to apply in place of the inventor under special circumstances."). Thus, Section 102(f) has nothing to do with priority of invention, but is purely a mechanism to require that the only party permitted to apply for a patent is the inventor. Section 102(g), on the other hand, is wholly focused on priority of invention. *See* 1952 Revision Notes to 35 U.S.C. § 102(g) ("This paragraph retains the present rules of law governing the determination of priority of invention."). It is indisputable that there is a vast difference between a claim for priority of invention under Section 102(g) and a claim of inventorship under Section 102(f).

Even assuming the Defendants had somehow disclosed the prior inventors for purposes of asserting Section 102(g) (which AdvanceMe strongly disputes), there can be no dispute that the Defendants failed to identify any circumstances surrounding the making of the invention. *See* Declaration of Michael N. Edelman ("Edelman Decl."), Ex. M [excerpt from Defendants' Third Amended Invalidity Contentions]. As such, it would have been impossible for AdvanceMe to foresee (as Defendants urge this Court to believe) that Defendants' disclosure under Section 102(f) was intended to apply to Section 102(g) as well.

Further, even assuming that Defendants' one sentence disclosure under Section 102(f) could somehow be deemed to be a disclosure under Section 102(g), the ***content*** of Defendants' disclosure is manifestly deficient. *See* Edelman Decl., Exh. M. Defendants were required to provide a separate disclosure as to ***each*** piece of alleged prior art that identifies the inventor as well as the circumstances surrounding the making of the invention.[1] *See* P.R. 3-3. Defendants did not comply with this rule. Rather, in one conclusory sentence, Defendants lumped together all alleged prior art, without providing any details of when, how, where, why, and who allegedly invented the patented invention. Defendants' Third Amended Invalidity Contentions are absolutely devoid of any of the information required under Section 102(g).

The prejudice to AdvanceMe is overwhelming. Had AdvanceMe known that Defendants intended to assert 102(g), AdvanceMe would have conducted discovery specifically targeting the identification of the alleged inventor so that AdvanceMe could pursue discovery specifically with respect to the alleged inventor and the circumstances surrounding the ***making*** of the invention. Defendants have never identified an inventor, nor have Defendants articulated the circumstances surrounding the making of the alleged prior art under Section 102(g). Rather, the only stated "disclosure" was a vague one sentence statement under an entirely different subsection of 35 U.S.C. § 102. As such, it is indisputable that AdvanceMe has never been afforded an opportunity to pursue discovery with respect to Defendants' untimely assertion of Section 102(g).

As AdvanceMe was deprived of the opportunity to prepare a response to Defendants' belated allegations under 35 U.S.C. § 102(g), AdvanceMe's objection to all evidence, argument, and testimony related to Section 102(g) must be sustained.

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[1] Further, the '281 Patent covers multiple inventions. Defendants' one-sentence disclosure under Section 102(f) fails to identify the particular invention(s) against which the Defendants purport to assert Section 102(g).

II. EXHIBITS B-F.

1. AdvanceMe objects to Exhibits B-F on the grounds that these exhibits are not authenticated by the deposition testimony cited by Defendants and to the extent that the testimony constitutes inadmissible hearsay. Fed. R. Evid. 801-804, 901.

III. EXHIBIT G.

1. AdvanceMe objects to Exhibit G, excerpts from the October 4, 2006 deposition of Lee Suckow, as follows:

CITATION	OBJECTIONS
11:2-22	Attempt to prove content of a document with secondary evidence, contents of referenced document are inadmissible hearsay. Fed. R. Evid. 801-804, 1001-1002, 1004, 1007.
12:2-13:2	Attempt to prove content of a document with secondary evidence, contents of referenced document are inadmissible hearsay. Fed. R. Evid. 801-804, 1001-1002, 1004, 1007.
14:13-16:8	Attempt to prove content of a document with secondary evidence, contents of referenced document are inadmissible hearsay. Fed. R. Evid. 801-804, 1001-1002, 1004, 1007.
39:14-40:8	Attempt to prove content of a document with secondary evidence, contents of referenced document are inadmissible hearsay. Fed. R. Evid. 801-804, 1001-1002, 1004, 1007.

IV. EXHIBIT H.

1. AdvanceMe objects to Exhibit H, excerpts from the February 14, 2007 deposition of Edward W. Landon, as follows:

CITATION	OBJECTIONS
16:15-17:4	Lack of foundation regarding personal knowledge; speculation. Fed. R. Evid. 602.
19:13-24:23	Lack of foundation regarding personal knowledge; speculation; legal conclusion
26:6-21	Lack of foundation regarding personal knowledge; speculation. Fed. R. Evid. 602.
33:18-35:6	Lack of foundation regarding personal knowledge; speculation; vague and ambiguous as to whether the witness is summarizing his own independent understandings or the contents of a document. Fed. R. Evid. 602, 611. If the latter, attempt to prove the content of a document with secondary evidence. Fed. R. Evid. 1000-1004.
36:21-39:15	Lack of foundation regarding personal knowledge; speculation; vague and ambiguous as to whether the witness is summarizing his own independent understandings or the contents of a document. Fed. R. Evid. 602, 611. If the

	latter, attempt to prove the content of a document with secondary evidence. Fed. R. Evid. 1000-1004.
45:18-24	Lack of foundation regarding personal knowledge; speculation. Fed. R. Evid. 602.

V. EXHIBIT I.

1. AdvanceMe objects to Exhibit I, excerpts from the February 14, 2007 deposition of Gerette Sorwell, as follows:

CITATION	OBJECTIONS
11:24-13:6	Lack of foundation regarding personal knowledge; speculation; vague and ambiguous as to whether the witness is summarizing the her own independent understandings or the contents of a document. Fed. R. Evid. 602, 611. If the latter, attempt to prove the content of a document with secondary evidence. Fed. R. Evid. 1000-1004.
49:6-10	Lack of foundation regarding personal knowledge; speculation. Fed. R. Evid. 602.

VI. EXHIBIT J.

1. AdvanceMe objects to Exhibit J, excerpts from the February 13, 2007 deposition of Tom McBrearty, as follows:

CITATION	OBJECTIONS
9:32-25	Relevance; vague and ambiguous. Fed. R. Evid. 401-402.
29:4-20	Vague and ambiguous as to whether the witness is summarizing his own independent understandings or the contents of a document. Fed. R. Evid. 602, 611. If the latter, attempt to prove the content of a document with secondary evidence. Fed. R. Evid. 1000-1004.
46:8-48:12	Vague and ambiguous as to whether the witness is summarizing his own independent understandings or the contents of a document. Fed. R. Evid. 602, 611. If the latter, attempt to prove the content of a document with secondary evidence. Fed. R. Evid. 1000-1004.
67:1-13	Lack of foundation regarding personal knowledge of what "most people knew;" speculation. Fed. R. Evid. 602.
75:25-76:24	Lack of foundation regarding personal knowledge. Fed. R. Evid. 602.

VII. EXHIBITS K-M.

1. AdvanceMe objects to Exhibits K-M on the ground that these exhibits have not been properly authenticated. Fed. R. Evid. 901.

VIII. EXHIBIT N.

1. AdvanceMe objects to Exhibit N, excerpts from the February 15, 2007 deposition of Jeannette Gepford, as follows:

CITATION	OBJECTIONS
19:5-20:25	Lack of foundation regarding personal knowledge of what restaurants knew; speculation. Fed. R. Evid. 602.

IX. EXHIBIT P.

1. AdvanceMe objects to Exhibit P on the ground that this exhibit has not been properly authenticated and is inadmissible hearsay. Fed. R. Evid. 801-804, 901.

X. EXHIBIT S.

1. AdvanceMe objects to Exhibit S, excerpts from the February 8, 2007 deposition of John Konop, as follows:

CITATION	OBJECTIONS
38:4-13	Lack of foundation regarding personal knowledge. Fed. R. Evid. 602.
40:2-41:6	Lack of foundation regarding personal knowledge; speculation. Fed. R. Evid. 602.

XI. EXHIBIT T.

1. AdvanceMe objects to Exhibit T, excerpts from the February 16, 2007 deposition of Michelle Boudette, as follows:

CITATION	OBJECTIONS
16:4-20:8	Lack of foundation regarding personal knowledge as to how Clever Ideas operated; vague and ambiguous regarding “operate.” Fed. R. Evid. 602.
33:12-34:16	Hearsay. Fed. R. Evid. 801-804.
34:22-35:3	Lack of foundation regarding personal knowledge of what was openly discussed by merchants. Fed. R. Evid. 602. Hearsay. Fed. R. Evid. 801-804.
49:13-24	Lack of foundation regarding personal knowledge; speculation. Fed. R. Evid. 602.

Date: May 2, 2007

Respectfully submitted,

By: /s/ Michael N. Edelman

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CERTIFICATE OF SERVICE

I hereby certify that on May 2, 2007, I served a true and correct copy of the foregoing document to the last known address for counsel of record listed below in the manner indicated.

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I declare the foregoing to be true and correct. Executed this 2nd day of May, 2007, at Palo Alto, California.

By: /s/ Michael N. Edelman
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